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COMMISSION ON ORGANIZATION
OF THE
EXECUTIVE BRANCH OF THE GOVERNMENT

PRESS RELEASE

GENERAL ACCOUNTING
OFFICE BUILDING
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Washington, June 13--Executive agencies of the Federal Government own and utilize "working space" at home and abroad equivalent to 1,250 Empire State Buildings, according to the Commission on Organization of the Executive Branch of the Government. A compilation by its Task Force on Real Property Management from official accounting records shows these properties listed at an aggregate figure of \$40,800,000,000, representing only the original acquisition and construction costs. Operation and management of this vast realty empire were found by the task force to be handled under a decentralized and wasteful system requiring the full-time services of 370,000 Federal employees.

In a report on Real Property Management presented to the Congress today, the Hoover Commission emphasizes the magnitude of this realty problem, involving 400,000 properties, buildings and facilities controlled by twenty-seven different agencies, and the urgent need for modern business methods to achieve economies and efficiency.

To meet present deficiencies and effect substantial savings, the Commission recommends centralized management control and supervision and prompt creation of a comprehensive and continuing inventory showing servicing costs, condition, type and extent of occupancy in all these buildings.

REAL PROPERTY MANAGEMENT

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In a recommendation aimed at tightening up management not only of real estate but also many other official activities, the Commission proposes that the Bureau of the Budget be "staffed and strengthened to carry out its full function" of coordinating agencies and advising the President on all management in the Executive Branch. The Commission also calls for wider authority for the General Services Administration in the handling of Federal properties, to include management of Post Office Buildings; and would authorize the GSA to set up uniform management policies and procedures to be followed throughout the Executive Branch.

To strengthen the hand of the GSA in this program, the Commission proposes that funds for the operation, maintenance, repair and alteration of all general-purpose public buildings within the states be appropriated directly to that agency.

It also proposes that the Department of State be placed in charge of management of all multi-purpose public buildings owned or leased by the Federal Government in foreign countries, and that funds for this service be appropriated directly to that department.

As a further step in the centralization program, the Commission recommends that the responsibility for supervision of management of industrial properties in the National Industrial Reserve and in the Departmental Industrial Reserve be placed by law directly on the Secretary of Defense. This responsibility would include the Army's Arsenal System and the Navy's Active Departmental Industrial Facilities. The recommendation involves the transfer of management responsibility for industrial holdings and all machine tools and equipment in the National Industrial Reserve from the GSA to the Department of Defense.

The task force had estimated that if all of its recommendations were adopted and fully carried out aggregate annual savings might amount to as much as \$185,000,000, and that \$1,225,000,000 might be returned to the Treasury through disposal of plants and other properties which might be determined to be surplus if all occupied space were fully and efficiently utilized.

In support of proposals for standardized accounting and operating records and a working inventory under direction of the GSA, the report cites the findings of the task force indicating that there is "little in the nature of modern property management in the Government" and a lack of adequate and up-to-date records and of financial accounting for space entrusted to the various agencies.

The Commission points out that although the Bureau of the Budget is authorized to review real estate management plans in connection with agency requests for funds and the General Services Administration appears to have far-reaching responsibilities for property management, this authority has been weakened and confused by whole or partial exemptions of many types of buildings, land and some agencies themselves from such controls.

"Neither the General Services Administration nor the Bureau of the Budget is charged with the responsibility of overall real property management and procedures, nor are the various Federal agencies obligated to follow management policy directives," the report adds.

The task force found no central management, and no agency of the Government which maintained overall accounting records or inspection of the process of realty management, and explained that "from lack of

comprehensive inventories, new property is acquired without consideration of the current availabilities of land and buildings already owned by the Federal Government."

"Moreover," the Commission says, "our task force found there was retention of unneeded property and reported that great recoveries of invested capital could be made by disposition of surplus real estate and by establishing adequate property management in the agencies. The cost to the taxpayer is increased not only by wasteful acquisition and unrealized disposal of surplus property, but since the Federal Government is exempt from taxation, the whole status of local and state taxation is injured by Federal retention of property. Under the present processes, this situation is steadily becoming worse."

As a primary step in alleviating the confused situation, the Commission suggests that the Federal Property and Administrative Services Act of 1949, as amended, be revised to include a specific declaration of policy by the Congress spelling out its intent with respect to real property management, and include a new title dealing directly with this subject.

A further recommendation calls for inclusion of the following activities in the proposed regulations to be issued by the Administrator of General Services: property acquisition and disposal, inventory, maintenance, repair, alteration, protection and inspection. The Administrator of General Services would make periodic inspections to see that the various agencies were complying with his management regulations, and where he found evidence of failure to comply with these standards, he would request the President to direct compliance.

A further revision of the same statute as recommended by the Commission would eliminate all exemptions in the executive agencies from the

authority of the GSA relating to realty management, but would authorize the President to order any exemptions which he felt were "fully justified in the public interest."

In connection with its proposal that the GSA take over the responsibility for management of all buildings partially or wholly occupied by the Post Office Department and receive appropriations of funds for this purpose, the Commission adds the proviso that the Administrator of General Services could delegate to the Post Office Department the care of any such building when he deemed it "more economical or efficient" to do so.

This proviso is interpreted mainly to cover small country post offices where little or no building maintenance or management problem is involved.

Under present regulations the GSA is responsible for operation and maintenance only of multi-tenant Post Office buildings in which less than half of the space is occupied by the Post Office Department. That department itself handles the structures in which it is the only tenant or occupies the major part of the space. Such a division, the Commission reports, has resulted in "much confusion, friction, delay and other inefficiencies."

As an example, the GSA supervises the repair and improvement of 4,619 general-purpose buildings, but the Post Office Department is "apparently" responsible for the operation and maintenance of 3,174 of these same buildings. Also, the GSA is responsible for operating, maintaining, protecting and assigning space under direct appropriations and on a reimbursable basis. The Post Office Department, however, not only operates and maintains certain public buildings but also makes assignments of available space in many of these buildings to other Government agencies.

The Post Office Department is required to report semi-annually to the GSA on that portion of its space which is used solely for office purposes. It does not report on space involved in other postal activities. Conflicting data was received by the task force from the two agencies as to their respective property management responsibilities.

With respect to a proposed comprehensive and continuing realty inventory which would be set up under supervision of the GSA to cover all Federal properties at home and abroad, the Commission notes that no agency of Government now is charged with this responsibility.

The GSA recently completed a detailed inventory of Federal real property within the forty-eight states as of December 31, 1953, to be followed by later inventories submitted as of June 30, 1955, and annually thereafter. The Commission finds that this is a step in the right direction, but says that "unfortunately the inventory is not being prepared in accordance with generally accepted principles of property accounting." It will not include real property owned and leased by the Government in its territories and possessions and in foreign countries, fails to take into account additions and reductions during the year in which the inventory was taken, and makes no provision for the depreciation accruals or estimated future life of the properties listed.

A complete and up-to-date inventory, the Commission explains, would make it possible for the President to direct that all Executive agencies exhaust all reasonable means to fill their requirements from the current inventory before submitting or justifying requests to the Bureau of the Budget for appropriations for acquiring new property.

Among the objectives of the long-range management policy would be consolidation of Government office space in large urban centers into a fewer number of buildings, "thereby increasing the ratio of net usable space to gross area and increasing the flexibility of space assignment"; gradually to improve the quality of office space for Government employees to improve their morale and efficiency and reduce personnel turnover; and to promote relocation from high-cost areas.

The Commission's report devotes considerable space to the management problem of real estate owned by the Department of Defense and to the lack of centralized supervision over these holdings, which represent about 61 per cent of the total investment in "working space" within the Executive Branch. In the forty-eight states alone such holdings account for an investment of \$21,400,000,000.

The task force reported that the functions and responsibilities of realty management in the three Armed Services were well defined within each service, but are not uniform and "unfortunately have been developed independently of the Department of Defense," although studies now are being undertaken with the aim of uniformity in some directions.

All real property utilized by the military services is now by law under control of the Department of Defense with the exception of general-purpose space in 128 metropolitan areas where the GSA, subject to specific exemptions, is responsible for furnishing such space, when available, to other Federal agencies. The Department of Defense is responsible for determining what property it holds may be excess to its own needs, but the GSA determines when and whether such excess property becomes surplus to the needs of the Government.

The task force has suggested that of the 288 plants in the industrial mobilization reserves, about 100 either are inactive or in poor physical condition and should be sold to return a part of the original costs to the Government and to reduce maintenance costs.

The Commission recommends that the Director of the Office of Defense Mobilization be authorized by legislation to establish general policies governing retention and disposition of industrial properties for mobilization purposes and to report thereon annually to the Congress.

As a further aid to orderly and efficient real property management in the Department of Defense, the Commission also suggests repeal of the section of Public Law 155, 82d Congress, which requires the military services to come into agreement with the Armed Services Committees of the Congress on real property actions, either acquisitions or disposal, involving sums greater than \$25,000.

The Commission notes "gaps and duplications in both responsibilities and practices" governing management of Federal rural lands, which are handled by several departments and agencies. These properties include range lands in the public domain, national parks and forests, vast stretches of barren and idle acreage, and Federal lands used for agriculture, recreational and conservation purposes.

The Commission recommends that the President appoint a committee from the Federal and state governments and from forestry, agricultural, conservation and mining interests, to make a study of these lands and the laws affecting them, and to make recommendations for their improved management; and that on the basis of these studies a uniform policy be developed for all agencies involved in control of the properties.

The original cost of \$40,800,000,000 given for land and improvements in the working space of the Executive branch does not include the value of the manufacturing equipment installed as part of the industrial reserve and amounting to \$3,800,000,000. This figure, as compiled from the official accounting records, does not include leased properties at home and abroad, and excludes the public domain. It does not reflect replacement cost or current market value, which is much greater.

For example, the military installation on Governors Island, in New York, embraces 205 acres of land received by the Federal Government in a series of grants from the State of New York starting with the year 1800. This land is carried on the Government records at \$1. Improvements have cost the Government \$11,760,000, and that amount is shown on the records.

The Presidio at San Francisco consists of 1,437 acres of original Spanish grant public lands acquired at no cost, and five acres purchased subsequently for \$98,995, and that is the figure given on the records for the entire 1,442 acres. Improvements there have cost \$25,385,000. Officials of the City of San Francisco recently estimated, according to the task force, that, if taxable, the property in its present form would carry an assessed value of about \$36,000,000, and for development purposes would be worth about \$50,000,000.

Aside from the public domain, the Government owns at home and abroad 63,200,000 acres in 36,000 locations. The area of this "working space" within the forty-eight states amounts to 61,800,000 acres, at 28,000 locations, and outside of the states involves about 1,400,000 acres at 8,000 locations.

Including the public domain, the Federal Government owns in and outside of the United States 838,000,000 acres of land. In this country the holdings amount to 472,000,000 acres, equivalent to one-fourth of the area of the forty-eight states. Ownership outside the states embraces 366,000,000 acres, including about 365,000,000 in Alaska.

In addition, the Government leases at home and abroad 2,449,000 acres at 24,000 locations, of which 2,174,000 acres are in the States. These leases involve annual rentals of more than \$107,000,000.

On improved properties owned in and outside of the forty-eight states, the Government has 2,475,000,000 square feet of floor space, of which 2,065,000,000 is in this country and 410,000,000 is outside of the States. The leased floor space amounts to 94,500,000 square feet, of which 88,000,000 is in this country.

In addition to all of these facilities, the United States has had the use of foreign realty under reciprocal aid agreements, which if purchased outright would have cost more than \$900,000,000; and of other property which, if leased, would have involved annual rentals estimated at more than \$154,000,000, the Commission reports. These facilities range from embassies and consular establishments to air bases, military posts and camps, hospitals, warehouses and bunkering stations.

The Task Force on Real Property Management was headed by John R. Lotz, former chairman of the board of the Stone & Webster Engineering Corporation, of New York.

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The Task Force Report will be distributed later.